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COMMISSION

June 25, 2004

Ms. Beth O'Donnell
Executive Director, Public Service Commission
PO Box 615 / 211 Sower Blvd.
Frankfort, KY 42602

Case 2004-00270

RE: Case # Gas Cost Adjustment Report

Dear Ms. O'Donnell:

The following document is Millennium Energy's Gas Cost Adjustment Report for quarter, August 1, 2004- October 31, 2004.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary K. Dillard".

Gary K. Dillard
Executive Vice President

QUARTERLY REPORT OF GAS COST
RECOVERY RATE CALCULATION

Date Filed: July 1, 2004

Date Rates to be Effective: August 1, 2004 TO October 31, 2004

Reporting Period is Calendar Quarter Ended:

SCHEDULE I
GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$ 6.6817
+ Refund Adjustment (RA)	\$/Mcf	-
+ Actual Adjustment (AA)	\$/Mcf	0.0615
+ Balance Adjustment (BA)	\$/Mcf	<u>(0.2291)</u>
= Gas Cost Recovery Rate (GCR)	\$/Mcf	\$ 6.5141

GCR to be effective for service rendered from 5/1/04 to 7/31/04.

A. <u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Total Expected Gas Cost (Schedule II)	\$	\$ 69,433.72
+ Sales for the 12 months ended 4/30/2004	Mcf	<u>10,392</u>
- Expected Gas Cost (EGC)	\$/Mcf	\$ 6.6817

B. <u>REFUND ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Supplier Refund Adjustment for Reporting Period (Sch. III)	\$/Mcf	\$ -
+ Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$ -
+ Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$ -
+ Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	<u>\$ -</u>
= Refund Adjustment (RA)	\$/Mcf	\$ -

C. <u>ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>	Expires
Actual Adjustment for the Reporting Period (Schedule IV)	\$/Mcf	\$ (0.2978)	
+ Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ 0.1518	
+ Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ 0.1778	
+ Third Previous Quarter Reported Actual Adjustment	\$/Mcf	<u>\$ 0.0297</u>	
= Actual Adjustment (AA)	\$/Mcf	\$ 0.0615	

D. <u>BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>	Expires
Balance Adjustment for the Reporting Period (Schedule V)	\$/Mcf	\$ (0.0537)	
+ Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ (0.0083)	
+ Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ 0.0494	
+ Third Previous Quarter Reported Balance Adjustment	\$/Mcf	<u>\$ (0.2165)</u>	
= Balance Adjustment (BA)	\$/Mcf	\$ (0.2291)	

SCHEDULE II
EXPECTED GAS COST

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Actual* Mcf Purchase for 12 months ended			04/30/04		
(1)	(2)	(3)	(4)	(5)	(6)
<u>Supplier</u>	<u>Dth</u>	<u>Heat Rate</u>	<u>Mcf</u>	<u>Rate</u>	<u>(4) x (5) Cost</u>
May-03 Woodward Marketing	480.64	1.034	464.84	6.348	2,950.62
Jun-03 Woodward Marketing	674.05	1.034	651.89	6.348	4,137.94
Jul-03 Woodward Marketing	560.15	1.034	541.73	6.348	3,438.69
Aug-03 Woodward Marketing	453.42	1.034	438.51	6.348	2,783.49
Sep-03 Woodward Marketing	382.97	1.034	370.38	6.348	2,351.02
Oct-03 Woodward Marketing	1,129.14	1.034	1,092.01	6.348	6,931.64
Nov-03 Woodward Marketing	1,374.15	1.034	1,328.97	6.348	8,435.77
Dec-03 Woodward Marketing	920.92	1.034	890.64	6.348	5,653.43
Jan-04 Woodward Marketing	2,166.76	1.034	2,095.51	6.348	13,301.46
Feb-04 Woodward Marketing	808.78	1.034	782.19	6.348	4,965.00
Mar-04 Woodward Marketing	1,889.45	1.034	1,827.32	6.348	11,599.10
Apr-04 Woodward Marketing	<u>485.82</u>	<u>1.034</u>	<u>469.85</u>	<u>6.348</u>	<u>2,982.39</u>
Totals	11,326.25	1.034	10,953.83	6.348	69,530.54

Line losses are _____ 5.13% for 12 months ended 4/30/2004 based on purchases of
10,953.8 Mcf and sales of _____ 10,392 Mcf.

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6) (to Schedule IA.)	\$	\$ 69,530.54
Expected Mcf Purchases (4)	Mcf	<u>10,953.83</u>
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 6.348
Plus: Expected Losses of _____ 12.30% (not to exceed 5%)	(D26/0.95) Mcf	<u>10,938.58</u>
= Total Expected Gas Cost	\$	\$ 69,433.72

Allowable Sales (maximum losses of 5%). \$69,433.72

*Or adjusted pursuant to Gas Cost Adjustment Clause and explained herein.

**Supplier's tariff sheets or notices are attached.

SCHEDULE III
SUPPLIER REFUND ADJUSTMENT

Details for the 3 months ended 4/30/2004

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
Total supplier refunds received	\$	\$ -
+ Interest	\$	\$ -
<hr/>		
= Refund Adjustment including interest	\$	\$ -
+ Sales for 12 months ended <u>4/30/2004</u>	Mcf	10,392
<hr/>		
=Supplier Refund Adjustment for the Reporting Period (to Schedule IB.)	\$/Mcf	\$ -

SCHEDULE IV
ACTUAL ADJUSTMENT

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For the 3 month period ended 4/30/2004

<u>Particulars</u>	<u>Unit</u>	Month 1 <u>Feb-04</u>	Month 2 <u>Mar-04</u>	Month 3 <u>Apr-04</u>
Total Supply Volumes Purchased	Mcf	782.19	1,827.32	469.85
Total Cost of Volumes Purchased	\$	\$ 5,449.51	\$ 11,671.53	\$ 3,525.36
Total Sales (may not be less than 95% of supply volumes) (G8*0.95)	Mcf	<u>\$ 1,470.70</u>	<u>\$ 1,735.96</u>	<u>\$ 883.40</u>
= Unit Cost of Gas	\$/Mcf	\$ 3.7054	\$ 6.7234	\$ 3.9907
<u>- EGC in effect for month</u>	\$/Mcf	<u>\$ 5.6212</u>	<u>\$ 5.6212</u>	<u>\$ 5.6212</u>
= Difference [(Over-)/Under-Recovery]	\$/Mcf	\$ (1.9158)	\$ 1.1022	\$ (1.6305)
<u>x Actual sales during month</u>	Mcf	<u>1470.70</u>	<u>1055.60</u>	<u>883.40</u>
= Monthly cost difference	\$	(2,817.59)	1,163.49	(1,440.41)
		<u>Unit</u>	<u>Amount</u>	
Total cost difference (Month 1 + Month 2 + Month 3)	\$		\$ (3,094.51)	
+ Sales for 12 months ended <u>4/30/2004</u>	Mcf		<u>10,392</u>	
= Actual Adjustment for the Reporting Period (to Schedule IC.)	\$/Mcf		\$ (0.2978)	

SCHEDULE V
BALANCE ADJUSTMENT

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For the 3 month period ended 4/30/2004

Line	Particulars	Unit	Amount
1	(1) Total cost difference from actual adjustment used to compute AA of the GCR effective four quarters prior to the effective date of the currently effective GCR.	\$	<u>3,310.01</u> Case No. 2003-00112
2	Less: Dollars amount resulting from the AA of <u>0.3722</u> \$/MCF as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of 10,392		
3	MCF during the 12 month period the AA was in effect.	\$	<u>3,867.77</u>
4	Equals: Balance Adjustment for the AA.	\$	<u>(557.76)</u>
5	(3) Total Supplier Refund Adjustment including interest used to compute RA of the GCR effective four quarters prior to the effective date of the currently effective GCR.	\$	<u>-</u>
6	Less: Dollar amount resulting from the RA of <u>-</u> \$/MCF as used to compute the OCR in effect four quarters prior to the effective GCR times the sales of 10,392 MCF		
7	during the 12 month period the RA was in effect.	\$	<u>-</u>
8	Equals: Balance Adjustment for the RA.	\$	<u>-</u>
9	(3) Total Balance Adjustment used to compute RA of the GCR effective four quarters prior to the effective date of the currently effective GCR.	\$	<u>-</u>
10	Less: Dollar amount resulting from the BA of <u>-</u> \$/MCF four quarters prior to the effective date of the currently effective GCR times the sales of 10,392 MCF during the 12 month		
11	period the BA was in effect.	\$	<u>-</u>
12	Equals: Balance Adjustment for the BA.	\$	<u>-</u>
13	Total Balance Adjustment Amount (1) + (2) + (3)	\$	<u>-557.76</u>
14	Divided By: Sales for 12 months ended 4/30/2004	\$	<u>10,392</u>
15	Equals: Balance Adjustment for the Reporting Period (to Schedule ID).	\$/MCF	<u>(0.0537)</u>